

## IN THE MATTER OF INTEREST ARBITRATION BETWEEN

CITY OF DAVENPORT PUBLIC EMPLOYER	INTEREST ARBITRATION AWARD
AND	
TEAMSTERS LOCAL #238 EMPLOYEE ORGANIZATION	RONALD HOH, Arbitrator

APPEARANCES

For City of Davenport:

Mary Thee, Corporation Counsel

For Teamsters Local #238:

Timothy Hall, Attorney

Andy Sullivan, Business Representative

AUTHORITY

This proceeding arises pursuant to the provisions of Section 19 and 22 of the Iowa Public Employment Relations Act, Chapter 20, 2001 Code of Iowa (hereinafter Act). The City of Davenport (hereinafter City) and Teamsters Local #238 (hereinafter Association) have been unable to agree upon the terms of their collective bargaining agreement for the 2004 fiscal year (July 1, 2003 - June 30, 2004) for the City's blue collar bargaining unit through their negotiations, mediation and a factfinder's recommendation. In accordance with independently negotiated impasse procedures, the undersigned was selected from a list provided by the Iowa Public Employment Relations Board (hereinafter PERB) to conduct a hearing and issue a binding interest arbitration award on the matters

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in dispute herein.

The hearing was held on July 16, 2003 in Davenport, Iowa and was completed that same day. All of the parties appeared at the hearing and had full opportunity to present evidence and argument in support of their respective positions. The hearing was mechanically recorded in accordance with PERB regulations. The parties prior to the hearing had waived the March 15 statutory deadline for issuance of the arbitrator's decision and award.

#### STATUTORY CRITERIA

Section 22.9 of the Act sets forth the criteria by which the arbitrator is to select, under Section 22.11 of the Act, "the most reasonable offer, in its judgment, of the final offers on the impasse item submitted by the parties, or the recommendations of the factfinder on each impasse item." Section 22.9 provides:

The arbitrator or panel shall consider, in addition to their relevant factors, the following factors:

- a. Past collective bargaining contracts between the parties, including the bargaining that lead up to such contracts.
- b. Comparison of wages, hours and conditions of employment of the involved public employees doing comparable work, giving consideration to factors peculiar to the area and classification involved.
- c. The interests and welfare of the public, the ability of the public employer to finance economic adjustments, and the effect of such adjustments on the normal standard of services.
- d. The power of the public employer to levy taxes and appropriate funds for the conduct of its operations.

Section 17.6 of the Act further provides:

No collective bargaining agreement or arbitrator's decision shall be valid or enforceable if its implementation would be inconsistent with any statutory limitation on the public employer's funds, spending or budget, or would substantially impair or limit the performance of any statutory duty by the public employer.

The award on the impasse items herein is made with due regard to each of the above criteria.

### BACKGROUND

The City is located in far eastern Iowa bordering the Mississippi River, and is part of a metropolitan area that has become known as the "Quad Cities", in reference to Rock Island and Moline, Illinois and Davenport and Bettendorf, Iowa, which either adjoin each other or are separated by the river. It had a year 2000 population of 98,359 persons. The Union represents for collective bargaining and contract administration purposes a unit of about 209 non-supervisory "blue collar" employees in numerous classifications across multiple City departments. The parties are currently operating under an extension to the fiscal year 2003 collective bargaining agreement (hereinafter current contract), which otherwise would have expired by its terms on June 30, 2003.

The City also negotiates with five other bargaining units and their representatives - fire, transit, police, library (AFSCME) and white collar (AFSCME). All of those contracts were open for fiscal year 2004, and all but fire department employees - who engaged in arbitration and

received their award from the arbitrator in that case in May, 2003 - voluntarily resolved these contracts in their negotiations with the City.

The parties in this case began their negotiations in October, 2002 and reached several tentative agreements in areas originally at issue in this contract. On March 10, 2003 a factfinding hearing in this case was held before factfinder Rex Wiant. The factfinder issued his report on March 23, 2003 making non-binding recommendations therein on five issues - wages, insurance, uniform allowances for sewer workers, incentive time for trash collectors, and incentive pay for certification of sewer workers. The parties thereafter reached agreement in the areas of incentive time for trash collectors and an across-the-board 4% wage increase. The remaining issues set forth above were not voluntarily resolved, and those thus constitute the impasse items before the arbitrator in this proceeding.

The parties agreed at the hearing that the eight largest population cities in Iowa - of which the City is the third largest - constitute the appropriate group for comparison purposes under the comparability criterion set forth in Section 22.9 of the Act.

#### **ISSUE #1 - HEALTH INSURANCE EMPLOYEE CONTRIBUTION**

Article 20 and Appendix F of the current contract contain the group insurance program for bargaining unit employees. Those provisions set forth the contractual health, prescription drug, dental, AD&D, disability, vision and life insurance benefits, as well as deductibles

and coverage limitations. The parties have already made some coverage changes to the health insurance program to limit costs, and the arbitrator views those changes as tentative agreements not subject to this proceeding. Currently, the City pays 100% of the single and dependent insurance premium for health, dental and vision insurance. Disability, AD&D and life insurance are not at issue in this proceeding.

The parties also placed this issue before the factfinder, with the Union at that time taking the position of no change in the 100% City contribution level for monthly single and dependent coverages set forth in the current contract. The factfinder in that report recommended adoption of the City's position before him, which called for the employee to pay 1% of the premium for single insurance and 2% of the premium for dependent insurance per month.

The City's final offer on this impasse item is the same as its position before the factfinder, and its offer is thus the same as the factfinder's recommendation set forth above. The Union's final offer before the arbitrator is an employee monthly contribution toward insurance premiums of \$3.77 for single insurance, and \$18.52 for dependent insurance - the dollar equivalent for the 1% and 2% percentage increases effective July 1, 2003 and contained in the City's final offer and the factfinder's recommendation.

#### POSITIONS OF THE PARTIES

##### THE CITY

The City supports its 1% single, 2% dependent monthly employee

contribution final offer with the following arguments.

1. All other City bargaining units except firefighters have agreed to either the monthly contribution levels contained in the City's final offer, those percentages with dollar caps for contracts of over one year duration, or flat dollar amount caps anticipating a continuation of the 15% increase in health insurance costs for fiscal year 2004. The interest arbitrator in the firefighter contract awarded no change to the current 100% City paid insurance program for those employees.
2. The City is self-insured for health, dental and vision plan insurances, and finances those costs through a Trust and Agency Fund. Those costs are trending upward at a rate of about 15% per year. Asking employees to pay these low percentage monthly amounts would save the City about \$40,000, which it could then apply toward these rising costs.
3. Total insurance claims under the City-wide insurance program have increased in number by over 4000 since fiscal year 1998, despite virtually no change in the City's employee complement during that time. Likewise, insurance cost have increased City-wide from \$3.5 million in fiscal 1993 to \$7.9 million in fiscal 2003, and the City's share of the cost per claim has risen about \$31.50 while employee per claim cost has risen only \$2. Requiring employees to pay a percentage of insurance costs would place in them an interest not currently in existence to keep insurance costs and claim numbers down.
4. Property tax valuation revenues - the sole source of revenue for the Trust and Agency Fund - have risen only 45% since 1996 despite two tax

increases and increasing property values, while insurance claim cost are up more than 100% during that time. The City cannot keep up with this claim and costs growth under the current system despite the rise in tax rates and property values.

5. The City's monthly insurance costs have risen since fiscal year 1992 from \$418 family, \$177 single to \$927 family, \$377 single for fiscal year 2002. Given the large insurance cost increases funded entirely by the City in the past, the small percentage amounts for employee contributions in the City's final offer are more than reasonable. This is particularly so where, as here, taxpayers have continually raised to City representatives the subject of employees not contributing to that cost, while health insurance costs to taxpayers are generally higher and their benefits are generally lower.

6. Among comparable employers, four require some level of monthly contribution for single coverage and five require such employee contribution for dependent coverage, with an average monthly contribution level of \$9.63 for single coverage and \$30.70 for dependent coverage among those comparable employers. In addition, the City's level of coverage and deductible/out-of-pocket maximums is somewhat more favorable to employees than are those contained in insurance coverages among comparable employers. Moreover, at least two comparable employers had multi-year contracts not open for negotiations over insurance for fiscal year 2004, and so those employers had no opportunity to negotiate some level of employee contribution to monthly single or dependent

insurance premiums.

7. Employees are not disadvantaged by the percentage contribution element of the City's final offer as claimed by the Union. The City's insurance premium level records show that insurance costs have not always increased but at times have instead decreased, and employees would pay lower amounts in that circumstance under the percentage contribution system contained in the City's final offer.

#### THE UNION

The Union supports its final offer flat dollar monthly employee insurance contribution levels of \$3.77 for single coverage and \$18.52 for dependent coverage with the following arguments.

1. The Union has already agreed via its final offer to share in the increasing health, dental and vision insurance costs cited by the City, and has even included in that final offer flat dollar amount employee monthly contribution levels identical for fiscal year 2004 to the percentages contained in the City's final offer. The Union thus has already gone the extra mile to show its realization of the necessity for employee sharing in those costs, and with this final offer has met the City every step of the way concerning insurance and insurance costs.

2. Even if the City is correct that its attempt to placate voters who complain that they pay more out-of-pocket for lesser levels of health insurance is properly included under the statutory criterion of "interests and welfare of the public," the willingness of the Union to share in those costs via its final offer is equally applicable to



fulfilling that statutory criterion.

3. The insurance claims increase numbers cited by the City were not broken down by bargaining unit, and there is thus no showing that this unit is disproportionately responsible for the increase in number of insurance claims cited as supporting evidence by the City for its final offer.

4. The Union's final offer of a flat dollar employee monthly single and dependent insurance contribution level better allows the parties in future years to respond to insurance cost increases currently unknown to the parties. In addition, the City recognized the propriety of this element of insurance cost contributions by agreeing in virtually all City negotiations with other bargaining units to flat dollar maximums in long term contracts, which will allow those parties to better address any premium changes in future years.

5. Among comparable employers, three of seven will still pay 100% of the single and dependent insurance premiums in fiscal year 2004. In addition, the City's claim that one comparable employer requires employee single/dependent premiums on a percentage basis - Council Bluffs - is open to serious question, since blue collar employees there pay "...5% of the accrual rate of the health insurance," without any explanation of the unusual term "accrual rate."

#### DISCUSSION

It has unfortunately become virtually axiomatic in interest arbitration cases that employers and employees are often faced with high

single digit, double digit, and sometimes high double digit percentage increases in health insurance costs, and that bargaining table decisions regarding how those increases are to be met involve substantial economic impact upon both employers and employees alike. In such circumstances, the parties have little alternative other than to either seek new insurance cost bids for coverage they can live with, and/or to closely monitor costs claimed by medical providers, to assure that the parties receive the highest possible "bank for the (insurance) buck." It is hoped that both the City and the Union continue to work together to assure that such a result occurs, given the significant increased costs involved.

That being said, it is the criteria for arbitrator awards set forth in Section 22.9 of the Act which must provide the framework here for the arbitrator's determination of the "most reasonable" of the parties' final offers. In this situation, the parties agree that, in view of the large increases in City health insurance costs (and indeed in part due to the factfinder's recommendation), employees must share in the costs of those increases in these circumstances. Indeed, they further agree upon the actual amount of those employee contributions for fiscal year 2004. The only dispute remaining before the arbitrator in this proceeding concerns the form that monthly employee payment will take - a percentage of that monthly amount under the City's final offer and the factfinder's recommendation, or a flat dollar amount equal to that percentage for fiscal year 2004 under the Union's final offer.

After careful review of all of the evidence and arguments of the parties, it is the arbitrator's considered judgment that the Union's final offer of a flat dollar monthly single and dependent employee insurance contribution of \$3.77 and \$18.52, respectively, is the "most reasonable" of the final offers before me. This is so for the following reasons.

First, and most importantly, the comparability evidence reveals that no other comparable employer clearly requires monthly employee insurance contribution levels on a percentage rather than a flat dollar basis. The City's own data in this area showed that of the four comparable employers providing for employee monthly insurance contributions in blue collar units, only Council Bluffs requires blue collar employees "...to pay 5% of the accrual rate of the health insurance." There was no clear explanation of the unusual term "accrual rate" as it relates to health insurance, and the arbitrator will not assume absent any further evidence that this term means 5% of the monthly single and dependent insurance costs. Moreover, the City's evidence concerning Council Bluffs shows that this "accrual level" - whatever the term means - was imposed upon blue collar employees unilaterally by the City of Council Bluffs when neither arbitration nor a contract was completed by the March 15, 2003 budget certification date. Such an "accrual level" thus was neither voluntarily agreed upon by both parties nor found appropriate by an arbitrator. None of the other comparable employers require employees to pay a percentage of the

monthly single or dependent insurance, and all four of those who require any employee monthly payment express that payment in a flat dollar amount similar to the Union's final offer, rather than on a percentage basis.

Second, contrary to the City's contention, the amount of employee contribution expressed in this percentage final offer is not significantly lower than the average employee single and dependent monthly insurance amounts among comparable employers. The City's claim in this area fails to take into account that three comparable employers will require no employee contribution to single or dependent health insurance costs for fiscal year 2004, and one - Iowa City - requires no single employee premium monthly contribution. Based upon the City's own exhibit, when all comparable blue collar employees are considered (not including new employees at Council Bluffs), those averages are \$3.21/month single ( $\$22.50 \div 7$  employers) and \$15.07/month dependent ( $\$105.50 \div 7$  employers). Those amounts are slightly less than the figures contained in both the percentage and flat dollar amounts for single and dependent monthly insurance employee contributions at issue here.

Third, the cost savings to the City for fiscal year 2004, and the City's political concerns to respond to taxpayers about employees sharing in the cost of health insurance, are the same under both the City and the Union's final offers. Therefore, the statutory criteria of the "ability of the [City] to finance economic adjustments" and the

"interests and welfare to the public" - assuming such a concern is properly included under that statutory criterion - are met on the same basis as the City's final offer by the terms of the arbitrator's award on this issue.

Fourth, internal City comparability also supports the award here. The City has voluntarily agreed to flat dollar limits to employee monthly health insurance contributions in two of the three other bargaining units where voluntary agreement was reached. Inclusion of a flat dollar limit on this employee cost is consistent with the terms of those voluntary agreements.

Fifth, while the arbitrator often defers to the well reasoned recommendation of the factfinder in Iowa cases where factfinding precedes this arbitration impasse step, the factfinder here was faced with significantly different circumstances than those here, and his reasoning for the recommendation in this area strongly reflects those differences. In contrast to the situation here, the factfinder had before him a Union proposal of no change to the existing 100% City single and dependent monthly premium level. His rationale for recommending the City's position repeatedly recognizes his view of the impropriety of that position - "...the bottom line is that it is time for a change" (Page 5) and "...wholly paid Employer plans are a dinosaur" (Page 6). The issue here of the form of the employee's monthly single and dependent insurance contribution was simply not before him. Where, as here, the evidence on this issue clearly supports

the Union's final offer, the normal level of deference to that recommendation is not appropriate in these circumstances.

#### AWARD

The Union's final offer of a flat dollar \$3.77 per month employee contribution toward the single insurance premium, and an \$18.52 per month employee contribution toward the dependent insurance premium, is the "most reasonable" of the final offers before me. It is hereby awarded.

#### ISSUE #2 - SEWER DIVISION OPERATOR CERTIFICATION PAY

Article 13, Section 4 of the current contract provides, in pertinent part, as follows:

Active Lead Plant Operators and Plant Operators who possess a certification higher than required for their position on July 15 will receive the following incentive:

One grade higher	\$175.00
Two grades higher	\$200.00
Three grades higher	\$225.00

Maintenance Personnel at the Water Pollution Control Plant who possess a certification on July 15 will receive the base Plant Operator incentive of one hundred seventy-five dollars (\$175.00). These incentives to be payable on the first pay day in August.

The Union's proposal in this area at the factfinding level provided as follows:

Active Lead Plant Operators (in the Sewer Division) who possess a certification higher than required for their position on July 15 will receive the following annual incentive:

One grade higher	\$175.00
Two grades higher	\$200.00
Three grades higher	\$225.00

Maintenance personnel at the Water Pollution Control Plant who possess certification - \$175.00.

The factfinder recommended that the parties "...adopt the Union proposal with the following wage supplements:

One grade higher	\$ 50.00
Two grades higher	\$ 75.00
Three grades higher	\$100.00

Maintenance personnel at the Water Pollution Control Plant who possess certification - \$50.00."

The City's has adopted the factfinder's recommendation as its final offer.

The Union's final offer before the arbitrator on this impasse item provides as follows:

"Effective July 1, 2003 employees of the Sewer Division will receive the above incentive if they hold a certification one grade higher than what is required for their position by their job description or state law."

In support of its final offer in this area, the Union points out that this benefit will have no cost to the the City in fiscal year 2004, since the contractual deadline of July 15 for achieving these certifications has already passed. It asserts that its proposal does not increase incentive rates, but rather only adds Sewer Division employees to eligibility for the certification pay program. It contends that, as the factfinder has already determined, it is important to motivate employees to increase their qualifications, and that its final offer will stimulate employee motivation to increase their

qualifications and thus benefit both the employee and the City. Finally, it claims that, like the Water Pollution Control Plant Operator classification, the Sewer Division also needs more qualified employees to fill in for the shift supervisors with these higher qualifications, should those supervisors be absent from work.

In support of its final offer and the factfinder's recommendation, the City argues that Water Pollution Control Plant operators, but not Sewer Division Plant operators, are required by state law to have the certifications at issue here, and the City thus benefits to a greater extent in having other employees certified in these areas in the Water Pollution Control Plant in the event of unplanned absences, in contrast to the situation in the Sewer Division. It asserts that its agreement to the lower certification pay levels set forth in the factfinder's recommendation sufficiently evinces its interest in motivating employees to improve their job skills, and the amounts in that recommendation are sufficient to provide that motivation to Sewer Division employees. While agreeing that this Union final offer will have no cost to the City in fiscal year 2004, it asserts that the Union's proposal will cost the City in the long run \$2500 per year more than its final offer.

#### DISCUSSION

The evidence in this area showed that, while both parties agree concerning the positive influence certification pay has upon employees to improve their job qualifications and skills, only Water Pollution Control Plant operators are required under Iowa law to possess the



certifications at issue here, while Sewer Division Plant operators are not under such a state law requirement. The benefit that these higher level certifications have is thus greater for the City for the Water Pollution Control operators than it is for Sewer Plant operators, since such higher certifications may be necessary under the law for another employee to operate the Water Pollution Control Plant in the absence of the regular operator.

In view of this element, it is my belief that the factfinder's recommendation (the City's final offer) better balances the need to motivate Sewer Division employees to improve their skills and qualifications with the relative benefit to City residents, than does the equalization of the certification pay levels contained in the Union's final offer. This is particularly the case given the additional future costs to the City contained in that Union final offer.

#### AWARD

The City's final offer in the area of certification pay to City Sewer Division Plant operators - which was also the factfinder's recommendation - is the "most reasonable" of the final offers before me in this area. It is hereby awarded.

#### ISSUE #3 - UNIFORM ALLOWANCE - PUBLIC WORKS

Appendix B of the parties' current contract concerns safety equipment, uniforms and uniform allowances. Under the category of "Public Works Department," that Appendix provides, in pertinent part, as follows:

"...provisions are made for employees to purchase one (1) pants and two (2) shirts only. Employee may purchase both a short and long sleeve shirt. \$125.00 is allocated per employee for the purchase of a new uniform, but is only done so (sic) on an as-needed basis. Classifications that are eligible are:

Custodian  
Maintenance Specialist  
Senior Maintenance Specialist  
Senior Mechanic  
Mechanic  
Welder  
Equipment Service Worker  
Vehicle Finisher  
The 15 employees working on the asphalt and oil crew July 1<sup>st</sup>.

The factfinder in his report recommended that the existing \$125 "as-needed" amount be replaced by a guaranteed \$75 per year amount for work clothing. He did not specifically address the portion of the Union's position before him which proposed to add Sewer Division employees to the list of employees eligible for uniform reimbursement.

With the understanding that the factfinder's recommendation of "\$75 per year for work clothing" was directed to the current contract Appendix B list of eligible classifications, the City's final offer is identical to the recommendation of the factfinder - \$75 per year per eligible employee. The Union's final offer provides as follows:

"Expand (Appendix B) to include Sewer Division employees not covered. Place asphalt and oil crew and Sewer Division separate from the remaining eligible classifications, and change this to a straight \$125 uniform reimbursement for work pants and shirts."

In support of that final offer, the Union argues that the factfinder failed to address its proposed additions to the classifications eligible for uniform allowance, and that the \$75 amount

guaranteed to the covered classifications in the factfinder's award and the City's final offer is insufficient in most instances to cover the costs of the pair of pants and two shirts mandated by Appendix B of the current contract, and particularly so for employees in the Sewer Division and the oil and asphalt crew. In support of its final offer, the City contends that the Union has not met its burden of showing the necessity for either the contract language changes it proposes, or for the addition it proposes to the list of Public Works Department classifications eligible for this benefit.

#### DISCUSSION

The parties at the hearing spent considerably more time attempting to clarify their final offers on this impasse item, in view of the prohibition in Iowa law against new final offers not first proposed in negotiations and the lack of clarity in the factfinder's recommendation, than they did in setting forth arguments in support of their final offers before the arbitrator. Despite the factfinder's failure to address the proposed additions to the list of classifications eligible for the uniform allowance benefit, his recommendation of \$75 per year for work clothing for employees currently eligible for this benefit certainly simplifies the existing payment system, which could well have lead to multiple disagreements over the application of the ambiguous term "as-needed basis" to a particular set of circumstances involving uniforms for a covered employee. In addition, there was no showing by the Union that a guarantee of \$125 for Sewer Division employees and the

asphalt and oil crew was either necessary to cover their clothing expenses or was supported by similar amounts among comparable employers. Likewise, the Union did not show either the necessity for addition of the new covered classifications or that such classifications received uniform allowance among comparable employers.

In such circumstances it is my judgment that the Union has not shown the propriety either of the \$125 guarantee in uniform allowance for certain employees set forth in its final offer, or for the addition of the Sewer Department employees to the list of those eligible for this benefit.

#### AWARD

The City's offer of a flat \$75 in uniform allowance for work clothing to all currently eligible employees, and no change to the list of covered classifications, is the "most reasonable" of the final offers before me. It is hereby awarded.

#### CONCLUSIONS OF LAW

Pursuant to Section 22.11 of the Act and for the reasons set forth above, the arbitrator hereby awards the following as the "most reasonable" of the final offers before me in this proceeding.

1. INSURANCE: The Union's final offer of the flat dollar amounts set forth herein for the employee's portion of the monthly single and dependent insurance premium.
2. CERTIFICATION PAY: The City's final offer.
3. UNIFORM ALLOWANCE: The City's final offer.

July 22, 2003

  
RONALD HOH  
Arbitrator